

Message Text

SECRET

PAGE 01 JIDDA 05205 090950Z

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ACTION SS-30

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FM AMEMBASSY JIDDA

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AMEMBASSY LONDON

AMEMBASSY TEHRAN

AMEMBASSY TOKYO

AMCONSUL DHAHRAN

S E C R E T JIDDA 5205

EXDIS

E.O. 11652: GDS

TAGS: ENRG, SA, US

SUBJECT: YAMANI RAISES AGAIN HIS CONSUMER-PRODUCER CONFERENCE

REF: A) JIDDA 5074; B) JIDDA 5111; C) STATE 173813

SUMMARY: MINPET YAMANI AGAIN RAISED WITH AMBASSADOR
POSSIBILITY OF SMALL ENERGY CONFERENCE OF PRODUCERS
AND CONSUMERS ADDING THAT "OTHER NATURAL RESOURCES AND
TECHNOLOGY" SHOULD BE DISCUSSED, AS WHATEVER ON THE
AGENDA, HE SAID, EFFECT OF HIGHER OIL PRICES ON WORLD
ECONOMY WILL BE DOMINANT TOPIC. YAMANI FEELS DIALOGUE
SHOULD BEGIN NOW IF CONSUMER-PRODUCER CONFRONTATION TO
BE AVOIDED. RECOMMENDATION: THAT AMBASSADOR BE INSTRUCTED
TELL YAMANI BEFORE HIS SEPT 10 DEPARTURE FOR VIENNA THAT
U.S. WILL RESPOND POSITIVELY TO INVITATION FROM HIM TO
PARTICIPATE IN CONSUMER-PRODUCER DIALOGUE. BELIEVE YAMANI
COULD MANAGE IT IF WE REQUESTED THAT INVITATIONS
MAKE NO MENTION OF OTHER MINERALS OR RESOURCES.
END SUMMARY.

1. AHMAD ZAKI YAMANI, SAUDI MINISTER OF PETROLEUM
RAISED AGAIN WITH THE AMBASSADOR THE POSSIBILITY OF
SECRET

SECRET

PAGE 02 JIDDA 05205 090950Z

HOLDING A SMALL CONFERENCE OF ENERGY PRODUCERS AND

CONSUMERS. THIS TIME THERE WAS AN IMPORTANT VARIATION. THE PRODUCERS, HE SAID, WOULD NOT ATTEND SUCH A CONFERENCE IF IT WERE LIMITED BY DEFINITION TO OIL PRICES; THE CONFERENCE WOULD THEREFORE ALSO BE PREPARED TO DISCUSS "OTHER NATURAL RESOURCES AND TECHNOLOGY." HE DID NOT SPECIFY WHAT THIS WOULD MEAN.

2. HE INCLUDED, AS HE HAD BEFORE, A FAIRLY LONG LIST OF PARTICIPANTS: SAUDI ARABIA, IRAN, VENEZUELA, ALGERIA AND INDONESIA OR NIGERIA REPRESENTING THE OIL PRODUCERS; THE UNITED STATES, THE EEC, JAPAN, INDIA, BRAZIL AND PERHAPS ZAIRE FOR THE CONSUMERS.

3. ONCE THE MEETING STARTED, HE SAID REPEATEDLY, IT WOULD MAKE LITTLE DIFFERENCE WHAT WOULD BE ITS FORMAL DESIGN OR THE REASONS GIVEN FOR THE INVITATION. THE REAL AND IMMEDIATE CONSEQUENCES WOULD BE THAT THE CONSUMERS WOULD INFORM THE PRODUCERS OF THE EFFECTS OF OIL PRICES ON THE WORLD ECONOMY AND HOW OR IF THE PROBLEM COULD BE HANDLED WITHOUT PROVOKING A WORLD RECESSION. HE THOUGHT THE FIRST MEETING SHOULD BE PRELIMINARY; EVEN IF IT ACCOMPLISHED NOTHING MORE IT COULD DRAFT THE AGENDA FOR A FUTURE MEETING. HE SAID HE STILL THOUGHT IT IMPERATIVE THAT SUCH A MEETING BE HELD; THAT THE CONSUMER-PRODUCER DIALOGUE START IMMEDIATELY, OTHERWISE WE WILL DRIFT INTO A CONFRONTATION WHICH COULD PROFIT NO ONE. IF THE CONSUMERS WAIT UNTIL THEY HAVE A UNIFIED POSITION, "THEY WILL WAIT FOREVER."

4. YAMANI SAID THAT THE IRANIANS HAVE ALSO ALREADY CALLED FOR A PRODUCER-CONSUMER DIALOGUE (REF C). REZA FALLAH HAS OPENLY CRITICIZED SECRETARY KISSINGER FOR HIS TACTICS IN DELAYING IT.

5. COMMENT: AS WE HAVE REPORTED (REFS A, B AND EARLIER), YAMANI SUSPECTS (AND MAY ACTUALLY BELIEVE) THAT WE DO NOT WANT OIL PRICES TO DECLINE. HE CITES HIS REASONS: WE REFUSED TO LET AMBASSADOR AKINS MEET WITH PRINCE FAHD IN EUROPE TO MAKE A LAST ATTEMPT TO HOLD THE SAUDI OIL AUCTION; WE REFUSED TO COORDINATE WITH OUR ALLIES AN APPROACH TO KING FAISAL; WE HAVE NOT RESPONDED TO HIS
SECRET

SECRET

PAGE 03 JIDDA 05205 090950Z

CALL FOR A PRODUCER-CONSUMER CONFERENCE. SOME OF THIS SOURNESS WAS NEUTRALIZED BY KING FAISAL'S VERY POSITIVE RESPONSE, BOTH TO PRESIDENT FORD'S LETTER OF AUGUST 29 AND TO AMBASSADOR AKINS' PRESENTATION OF SEPT 7. BUT WE NEED TO KEEP YAMANI FULLY ON OUR SIDE AND WE HOPE WE CAN ASSIST THIS BY RESPONDING TO THIS PARTICULAR DESIRE. I DOUBT IF YAMANI HAS ANYTHING MORE IN MIND THAN GETTING A DIALOGUE STARTED; GETTING THE PRODUCERS INTO A POSITION

WHERE THEY WILL BE ABLE TO SAY DIRECTLY TO THE OTHER OPEC MEMBER COUNTRIES WHAT HE (YAMANI) HAS BEEN SAYING TO THEM ON OUR BEHALF. THE CONSUMERS WOULD OF COURSE HAVE TO LISTEN TO THE PRODUCERS COMPLAINTS ABOUT HIGHER COSTS OF MANUFACTURED GOODS. WE SEE NOTHING THAT COULD BE LOST IN HOLDING SUCH A MEETING; AND IF IT RESULTED IN THE OTHER PRODUCERS BEING EXPOSED MORE DRAMATICALLY TO THE WOES OF THE CONSUMERS IT MIGHT EVEN DO SOME GOOD.

6. RECOMMENDATION: THAT THE AMBASSADOR BE INSTRUCTED TO TELL YAMANI BEFORE YAMANI LEAVES FOR VIENNA SEPT 10) THAT WE WOULD PARTICIPATE IN THE CONSUMER-PRODUCER DIALOGUE HE WISHES TO HOLD; THAT WE WOULD RESPOND FAVORABLY TO AN INVITATION FROM HIM TO ATTEND SUCH A MEETING IN SAUDI ARABIA OR ELSEWHERE, AND THAT WE STRONGLY APPROVE THE DESIRE HE HAS EXPRESSED TO THE AMBASSADOR THAT WE SHALL TRY ONCE AGAIN TO CONVINCE OTHER OIL PRODUCERS THAT OIL PRICES SHALL BE LOWERED. IF WE WISH TO SUGGEST ELIMINATING ANY REFERENCE TO OTHER MINERALS OR RSOURCES, WE BELIEVE YAMANI COULD HANDLE IT THAT WAY, IN SPITE OF THE BAROODY PROPOSAL. BUT WE DOUBT THAT WE WILL EVER BE ABLE TO GET A FULL DETAILED STATEMENT FROM YAMANI OF EXACTLY WHAT HE WANTS TO DO AT THE CONFERENCE OR ACCOMPLISH THROUGH IT. HE SIMPLY BELIEVES THAT IF MEN OF GOOD WILL SIT DOWN AND DISCUSS THEIR PROBLEMS AMICABLY THEY CAN REACH SOLUTIONS, AND HE WANTS TO START NOW.

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